



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

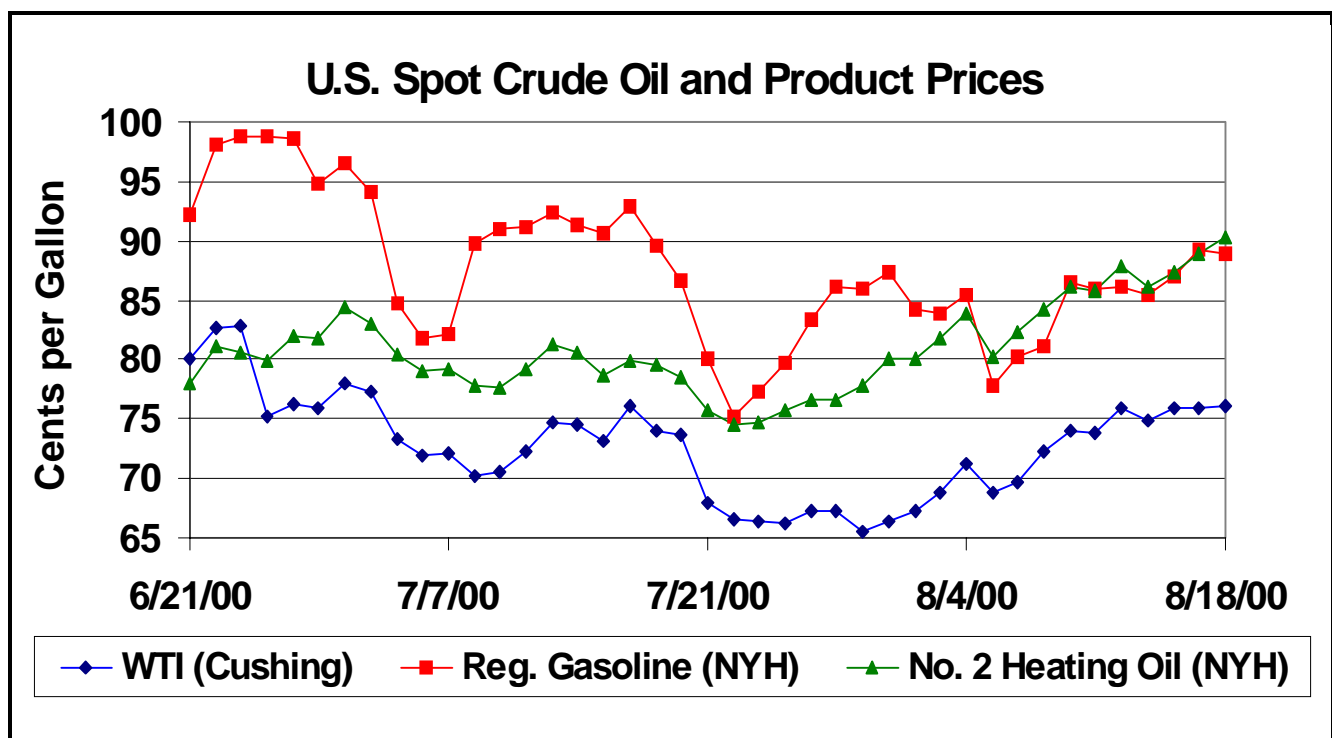
## MARKET SUMMARY

U.S. petroleum spot and futures markets diverged slightly last week, as crude oil prices flattened out after small gains, but product prices continued to move solidly higher. Seemingly conflicting comments from OPEC members shed no new light on the prospect of increased production, leaving traders and analysts to reach their own conclusions on the global supply balance for the coming months. Meanwhile, domestic refinery problems continued to impact product markets, highlighted by fires at two Gulf Coast refineries and a forecast of unusually high maintenance activities this fall.

**Crude oil** - prices continued recent increases through Monday, August 14, as Venezuelan President Hugo Chavez defended current world oil price levels. WTI spot and futures prices neared \$31 per barrel for the first time since late June, but closed slightly below that mark for the remainder of the week. Although OPEC leadership continued to focus talk of a production increase on its September 10 meeting, an "automatic" price-band-triggered increase is reportedly still a possibility. In the U.S., potential time-swaps of Strategic Petroleum Reserve crude oil have resurfaced as a means of pushing prices lower.

**Gasoline** - posted sufficiently strong price gains in most markets on Wednesday and Thursday to yield solid net increases for the week, despite losses on Tuesday and Friday. However, despite a string of refinery problems, supplies remain adequate as the summer driving season draws to a close. A seasonal stockdraw for the week ending August 11 left inventories near previous-year levels.

**Distillate** - prices rose solidly for the week, outgaining crude oil and remaining near gasoline in many markets. Spot heating oil in New York Harbor ended the week above 90 cents per gallon, for the first time since early February. Stocks posted a small increase, but remain 27 million barrels lower than a year ago.



## ***CHRONOLOGY OF RECENT MARKET EVENTS***

- 8/18 - mixed** - crude oil and distillate prices rose, while gasoline eased, on a mix of news and pre-weekend maneuvering. Fires at two Gulf Coast refineries supported product markets, while crude oil drifted higher amid conflicting assumptions about increased output from OPEC members.
- 8/17 - mixed** - product prices rose strongly, while crude oil showed little change, amid a variety of news on production and refining. OPEC president Ali Rodriguez said that the cartel would not increase quotas before its September 10 meeting, while an industry report predicted high levels of refinery maintenance in the coming fall season.
- 8/16 - rising** - spot and futures prices again reversed course, posting solid increases after the weekly API and EIA reports showed crude oil and distillate stockbuilds within expectations, and larger-than-expected draws on gasoline inventories. A report of extended maintenance on a Gulf Coast cat cracker added upward pressure to gasoline markets.
- 8/15 - falling** - prices turned downward, partially reversing Monday's gains, after late selling ahead of API and EIA weekly supply reports expected to show a crude oil stockbuild. Energy Secretary Bill Richardson reportedly indicated that crude oil swaps from the Strategic Petroleum Reserve could still be a possible option as a means to reduce high crude oil prices.
- 8/14 - rising** - all prices moved higher, led by crude oil, as WTI spot and futures reached their highest level in almost a month. Major factors cited included comments by OPEC President Ali Rodriguez, defending current price levels, and the approach of Tropical Storm Beryl to the Texas coast.
- 8/11 - falling** - crude oil and product prices eased in pre-weekend shortcovering, following three days of solid increases. Overall market sentiment reportedly remained bullish, focusing on low crude stocks, continuing delays in OPEC output increases, and scattered U.S. refinery problems.
- 8/10 - rising** - prices climbed across the board for a third day, led by gasoline, on a combination of domestic and international factors. Saudi Arabia reportedly reduced crude oil customer allocations for September, while rumored planned and unplanned maintenance at two major Gulf Coast refineries put upward pressure on gasoline prices.
- 8/9 - rising** - spot and futures prices rose marketwide for a second day, as traders appeared to focus on API's report of a crude oil stockdraw to a 24-year low, despite EIA's report of a small build. OPEC President Ali Rodriguez warned members against violating the group's output quotas.
- 8/8 - rising** - all prices turned upward, led by products, ahead of the weekly API and EIA supply reports. Bullish market sentiment returned after Monday's downward correction, supported by OPEC comments and expressed concern about heating oil supplies in EIA's Short-Term Energy Outlook.
- 8/7 - falling** - crude oil led markets lower in profit-taking, with WTI spot and futures prices down more than \$1 per barrel after the previous week's rise. New York Harbor spot gasoline posted the sharpest drop, reflecting improvements in local supply, despite refinery problems elsewhere.